

**Thomas Township**

**Saginaw, Michigan**

**Annual Financial Statements  
and  
Auditors' Report  
March 31, 2008**

## Table of Contents

<u>Section</u>	<u>Page</u>
1 <b>List of Elected and Appointed Officials</b>	1 – 1
2 <b>Independent Auditors' Report</b>	2 – 1
3 <b>Management's Discussion and Analysis</b>	3 – 1
4 <b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 3
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 6
Proprietary Funds	
Statement of Net Assets	4 – 7
Statement of Revenues, Expenses and Changes in Fund Net Assets	4 – 8
Statement of Cash Flows	4 – 9
Notes to Financial Statements	4 – 11

<u>Section</u>	<u>Page</u>
<b>5 Required Supplemental Information</b>	
Budgetary Comparison Schedule	
General Fund	5 – 1
Refuse Collection Fund	5 – 3
Police Fund	5 – 4
Fire Fund	5 – 5
<b>6 Other Supplemental Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	6 – 1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 – 2

**Thomas Township**  
**List of Elected and Appointed Officials**  
**March 31, 2008**

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Township Board

Robert Weise	Supervisor
Edward Brosowski	Clerk
Vern Weber	Treasurer
Tim Ader	Trustee
Ellen Ryder-Petre	Trustee
Michael Thayer	Trustee
Chris Thompson	Trustee

Other Officers and Officials

Russell Taylor	Township Manager
Deidre Frollo	Fiscal Services Director

## **Independent Auditors' Report**

To the Township Board  
Thomas Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thomas Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thomas Township as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008 on our consideration of Thomas Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Thomas Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

June 20, 2008  
Saginaw, Michigan

# **Thomas Township**

## **Management's Discussion and Analysis**

### **Year Ended March 31, 2008**

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This discussion and analysis of the Thomas Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

#### **Financial Highlights**

As further detailed in this discussion and analysis, the following represents some of the more significant financial highlights for the year ended March 31, 2008.

Total net assets related to the Township's governmental activities are \$7,627,432. The unrestricted portions of net assets are \$5,193,115 (see table of statement of net assets on the following page).

In recent years, the Township has experienced substantial reductions in State Shared revenues from the State of Michigan from \$1,018,512 in 2000 down to \$844,929 in 2008. As the primary source of revenue, the Township has had to restrict its spending, while seeking ways to develop new revenues and minimize spending. In light of continuing State Budget constraints, and the constant threat of additional revenue sharing reductions, the Township has reacted by invoking tighter controls over all expenditures

Property tax revenue increased slightly in the 2007/08 fiscal year. The increase is largely representative of the steady level of new construction combined with the annual increase in property values. With the need to develop new revenues, the budget over the course of the last few years has seen an increased reliance upon other revenue sources, such as permit fees, cable franchise fees and various others in smaller increments.

#### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide a long term picture of the Township's finances and activities as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

**Thomas Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2008**

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**The Thomas Township as a Whole**

The following table shows, in a condensed format, the statement of net assets.

	March 31, 2008			March 31, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 5,507,372	\$ 9,322,768	\$ 14,830,140	\$ 5,054,863	\$ 8,962,454	\$ 14,017,317
Capital assets	<u>2,378,335</u>	<u>19,712,330</u>	<u>22,090,665</u>	<u>2,286,693</u>	<u>17,800,981</u>	<u>20,087,674</u>
Total assets	<u>7,885,707</u>	<u>29,035,098</u>	<u>36,920,805</u>	<u>7,341,556</u>	<u>26,763,435</u>	<u>34,104,991</u>
Current liabilities	157,582	57,949	215,531	447,761	133,006	580,767
Long term liabilities	<u>100,693</u>	<u>-</u>	<u>100,693</u>	<u>96,774</u>	<u>-</u>	<u>96,774</u>
Total liabilities	<u>258,275</u>	<u>57,949</u>	<u>316,224</u>	<u>544,535</u>	<u>133,006</u>	<u>677,541</u>
Total net assets	<u>\$ 7,627,432</u>	<u>\$ 28,977,149</u>	<u>\$ 36,604,581</u>	<u>\$ 6,797,021</u>	<u>\$ 26,630,429</u>	<u>\$ 33,427,450</u>

The Township's net assets as of March 31, 2008 in the governmental activities are \$7,627,432 of which \$5,193,115 are unrestricted.

The Township's net assets as of March 31, 2008 for business type activities are \$28,977,149 of which \$9,264,819 are unrestricted.



**Thomas Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2008**

	March 31, 2008			March 31, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 1,200,020	\$ 3,369,417	\$ 4,569,437	\$ 1,167,996	\$ 2,994,541	\$ 4,162,537
Operating grants and contributions	4,309	-	4,309	4,427	-	4,427
Capital grants and contributions	499,647	1,455,074	1,954,721	-	141,559	141,559
General revenue						
Property taxes	1,785,094	-	1,785,094	1,735,930	-	1,735,930
State-shared revenue	844,929	-	844,929	844,126	-	844,126
Unrestricted investment earnings	168,983	468,976	637,959	197,726	330,801	528,527
Gain on sale of capital assets	20,130	-	20,130	300	7,000	7,300
Miscellaneous revenue	<u>290,853</u>	<u>29,886</u>	<u>320,739</u>	<u>306,176</u>	<u>11,710</u>	<u>317,886</u>
Total revenue	<u>4,813,965</u>	<u>5,323,353</u>	<u>10,137,318</u>	<u>4,256,681</u>	<u>3,485,611</u>	<u>7,742,292</u>
<b>Program expenses</b>						
General government	904,427	-	904,427	795,392	-	795,392
Public safety	1,442,980	-	1,442,980	1,385,791	-	1,385,791
Public works	913,659	-	913,659	769,255	-	769,255
Community and economic development	-	-	-	9,219	-	9,219
Recreation and culture	714,537	-	714,537	685,738	-	685,738
Interest on long term debt	7,951	-	7,951	13,928	-	13,928
Water and sewer	<u>-</u>	<u>2,976,634</u>	<u>2,976,634</u>	<u>-</u>	<u>2,582,198</u>	<u>2,582,198</u>
Total program expenses	<u>3,983,554</u>	<u>2,976,634</u>	<u>6,960,188</u>	<u>3,659,323</u>	<u>2,582,198</u>	<u>6,241,521</u>
<b>Change in net assets</b>	<u>\$ 830,411</u>	<u>\$ 2,346,719</u>	<u>\$ 3,177,130</u>	<u>\$ 597,358</u>	<u>\$ 903,413</u>	<u>\$ 1,500,771</u>

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2008**

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**Governmental Activities**

The Township's total governmental activity revenues were \$4,813,965. There was a slight increase in State-shared revenue and an increase in property taxes and other revenues.

Governmental activity expenditures of \$3,983,554 were recorded for the year. This included increases in health care costs and property and liability insurance rates. Increased revenues and restricted spending in other areas were used to offset the cost increases.

**Business Type Activities**

The Thomas Township's business-type activities consist of a Water Fund and a Sewer Fund. The water and sewer funds are both major funds.

The Township provides treated water to the Township residents. The treated water is purchased from the City of Saginaw Water Supply System. The Township water supply system does not currently have any revenue or general obligation bond debt. Water usage in fiscal year 2008 increased. The volume of water distributed to customers of the Township increased to nearly 736 million gallons largely due to increased demands by HSC. As a result, Thomas Township has established itself solidly as the second largest wholesale water user on the Saginaw Water System. With the ongoing expansion at HSC, this trend of increased water sales is expected to continue at least through 2010.

The Township also provides municipal sanitary sewer to 3,267 homes and business customers. The Township sends all of its effluent to the Saginaw Township Wastewater Plant. The Township negotiated with Saginaw Township to increase its capacity in the Treatment Plant and to expand the plant. The added capacity is expected to address the needs of HSC and the rest of the Township sewer customers for the next 30 years.

The Township increased sewer and water rates due to the rate increases from the City of Saginaw and the expansion of the Saginaw Township Wastewater Treatment Plant. In addition, there were mandated requirements passed by the State and Federal legislatures which were passed on to users of the system.

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2008**

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**Thomas Township Funds**

The fund financial statements provide detailed information about the most significant funds of the Township. The Township Board creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Township's major governmental funds include the General Fund, Refuse Collection Fund, Police Fund, and Fire Fund.

**a) General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues and from fees charged for various municipal activities and services are recorded in the General Fund. The Township Board's approved budget for the 2007/08 fiscal year provided for a decrease of \$9,204; however, the increase was actually \$254,660, thereby increasing the total General Fund balance to \$1,894,831. This was primarily due to restricted spending, a series of small increases to various revenue sources and receipt of the initial payment from HSC.

Additionally, the Township managed to keep expenditures down to about \$1,414,903. The result of both of these factors was an increase to the fund balance of \$254,660.

Overall, the Township has taken a relatively conservative approach with estimating revenues so as not to have the same experience that the State has had in recent years where actual revenues do not reach budgetary estimates.

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues, and from fees charged for various municipal activities and services are recorded in the General Fund.

**b) Refuse Collection Fund**

The Refuse Collection Fund accounts for the revenue and expenditures necessary to provide refuse collection and recycling to the residents of the Township. The Township Board's approved budget for the 2007/08 fiscal year projected an increase of \$18,413 to the fund balance that actually was an increase of \$48,710 at the fiscal year end. This fund relies upon a special assessment that is collected in the early part of the calendar year as prepayment for refuse services purchased throughout the balance of the calendar year.

**Thomas Township  
Management's Discussion and Analysis  
Year Ended March 31, 2008**

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**c) Police Fund**

The Police Fund accounts for the revenue and expenditures to provide police services to the community. The Township Board approved a budget that would increase the fund balance by \$4,236 over the course of the fiscal year. The actual fund balance decreased by \$4,223 resulting in a fiscal year-end fund balance of \$435,071. Due to reductions in staffing two years ago, the financial outlook appears as though there will be an adequate fund balance in the Police Fund for at least the next five years. The Township will have to continue to examine the department's operations and revenue sources to maintain the current level of service.

**d) Fire Fund**

The Fire Fund accounts for the revenue and expenditures relating to the Township's Fire Department operations. The Township Board approved a budget that would increase the fund balance by \$13,609. The actual fund balance increased by \$45,923 to create a fund balance of \$346,430.

**General Fund Budgetary Highlights**

Over the course of the year, the Township Board and Township Manager monitor and amend the budget to account for unanticipated events during the year. The most significant change was an increase in building inspection costs for a special inspector for HSC and increased costs for the River Road sidewalk. Meanwhile, health insurance, gas cost and increases to the minimum wage all resulted in overall increases to budgetary expenses as well. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these issues. When taking into account the planned use of a portion of the Township's general fund balance, the Township's departments overall stayed below their total proposed budgetary expenditures. The combined efforts of the Township's departments resulted in the Township being able to increase its General Fund balance by \$254,660.

**Capital Asset and Debt Administration**

At the end of the 2008 fiscal year the Township had \$22,090,665 invested in a wide range of capital assets, including land, buildings, equipment, computer equipment, and water and sewer lines.

Water and sewer system improvements including pump station #12 and the Leddy water main, a rescue squad, a police vehicle, and two new vehicles for the water and sewer department were the only significant additions to capital assets during fiscal year 2008. Currently, the Township does not anticipate any additional capital expenditures. The Township has not experienced any changes in its credit rating, nor has it taken on any new debt during fiscal year 2008.

**Thomas Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2008**

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Thomas Township does not use the alternative method for reporting infrastructure.

The Township currently has no debt reported in these financial statements in relation to the construction of the above-mentioned assets and buildings.

**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for the next fiscal year forecasts an 11% increase in revenues due in large part to the funds received to pay for the special HSC inspector, the HSC contractual payment and small increases to a variety of revenue line items. The Township continues to monitor its budget very closely, using the Financial Forecast and Capital Improvement Plan to guide long term spending to ensure fiscal responsibility. Expenditures are projected to increase 19% due to some large scale, one-time capital improvements that include reconstruction of South Thomas Road, new sidewalks, and park improvements combined with the additional cost of the special inspector during HSC's expansion.

Because some properties increase by less than inflation, the mathematical result of this is that the total taxable value of the Township will grow at a rate less than inflation, before considering new property additions. This has kept annual property tax revenues relatively stable. With recent economic downturns and poor property sales, the Township could see reductions in values potentially that could translate into lower property tax revenues. This trend has not become evident yet; however, the Township will be monitoring it as time passes.

In addition to the annual budget, Thomas Township puts forth a substantial amount of effort to develop a Five Year Financial Forecast that is updated annually, along with the Capital Improvement Plan. These documents are used to evaluate spending and revenue trends well into the immediate future. This enables the Township Board to make more informed decisions relative to the finances of the Township.

To encourage additional growth the Township has taken advantage of available grant opportunities. While a financial match is often required of the Township for grant funded projects, the Township has taken a fiscally responsible approach of ensuring adequate funds are available for such projects including large sanitary sewer and park projects in recent years. In addition, the Township has continued to view economic development as a primary focus. While economic concerns are often left behind in difficult financial times, the Township has taken the approach that without ensuring a solid future tax base the tough times will continue to exist.

**Contacting the Thomas Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Thomas Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact us at (989) 781-0150.

**Thomas Township**  
**Statement of Net Assets**  
**March 31, 2008**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,137,370	\$ 8,462,218	\$ 13,599,588
Receivables			
Taxes	142,100	-	142,100
Customers	1,755	501,154	502,909
Special assessments	33,095	142,903	175,998
Due from other units of government	193,052	-	193,052
Inventories	-	57,514	57,514
Restricted assets			
Cash and cash equivalents	-	158,979	158,979
Capital assets not being depreciated	135,368	2,027,760	2,163,128
Capital assets, net of accumulated depreciation	<u>2,242,967</u>	<u>17,684,570</u>	<u>19,927,537</u>
Total assets	<u>7,885,707</u>	<u>29,035,098</u>	<u>36,920,805</u>
<b>Liabilities</b>			
Accounts payable	32,175	-	32,175
Accrued and other liabilities	75,913	33,568	109,481
Due to other units of government	49,494	24,381	73,875
Noncurrent liabilities			
Due in more than one year	<u>100,693</u>	<u>-</u>	<u>100,693</u>
Total liabilities	<u>258,275</u>	<u>57,949</u>	<u>316,224</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,378,335	19,712,330	22,090,665
Restricted for:			
Building code enforcement	55,982	-	55,982
Unrestricted	<u>5,193,115</u>	<u>9,264,819</u>	<u>14,457,934</u>
Total net assets	<u>\$ 7,627,432</u>	<u>\$ 28,977,149</u>	<u>\$ 36,604,581</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Statement of Activities**  
**For the Year Ended March 31, 2008**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Primary government</b>							
Governmental activities							
General government	\$ 904,427	\$ 501,374	\$ -	\$ -	\$ (403,053)	\$ -	\$ (403,053)
Public safety	1,442,980	9,149	4,309	-	(1,429,522)	-	(1,429,522)
Public works	913,659	524,072	-	499,647	110,060	-	110,060
Recreation and culture	714,537	165,425	-	-	(549,112)	-	(549,112)
Interest on long-term debt	7,951	-	-	-	(7,951)	-	(7,951)
Total governmental activities	<u>3,983,554</u>	<u>1,200,020</u>	<u>4,309</u>	<u>499,647</u>	<u>(2,279,578)</u>	<u>-</u>	<u>(2,279,578)</u>
Business-type activities							
Sewer	982,615	1,294,886	-	1,277,306	-	1,589,577	1,589,577
Water	<u>1,994,019</u>	<u>2,074,531</u>	<u>-</u>	<u>177,768</u>	<u>-</u>	<u>258,280</u>	<u>258,280</u>
Total business-type activities	<u>2,976,634</u>	<u>3,369,417</u>	<u>-</u>	<u>1,455,074</u>	<u>-</u>	<u>1,847,857</u>	<u>1,847,857</u>
Total primary government	<u>\$ 6,960,188</u>	<u>\$ 4,569,437</u>	<u>\$ 4,309</u>	<u>\$ 1,954,721</u>	<u>(2,279,578)</u>	<u>1,847,857</u>	<u>(431,721)</u>
General revenues							
Property taxes					1,785,094	-	1,785,094
State shared revenue					844,929	-	844,929
Unrestricted investment earnings					168,983	468,976	637,959
Gain on sale of capital assets					20,130	-	20,130
Miscellaneous					<u>290,853</u>	<u>29,886</u>	<u>320,739</u>
Total general revenues					<u>3,109,989</u>	<u>498,862</u>	<u>3,608,851</u>
Change in net assets					830,411	2,346,719	3,177,130
Net assets - beginning of year					<u>6,797,021</u>	<u>26,630,430</u>	<u>33,427,451</u>
<b>Net assets - end of year</b>					<u>\$ 7,627,432</u>	<u>\$ 28,977,149</u>	<u>\$ 36,604,581</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Governmental Funds**  
**Balance Sheet**  
**March 31, 2008**

	Special Revenue Funds				Nonmajor	Total
	General	Refuse Collection	Police Fund	Fire Fund	Governmental Funds	Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 1,767,602	\$ 759,847	\$ 454,038	\$ 354,650	\$ 1,801,233	\$ 5,137,370
Receivables						
Taxes	141,467	-	355	199	79	142,100
Customers	-	254	1,359	-	142	1,755
Special assessments	-	-	-	-	33,095	33,095
Due from other units of government	193,052	-	-	-	-	193,052
<b>Total assets</b>	<b>\$ 2,102,121</b>	<b>\$ 760,101</b>	<b>\$ 455,752</b>	<b>\$ 354,849</b>	<b>\$ 1,834,549</b>	<b>\$ 5,507,372</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 29,953	\$ 2,131	\$ -	\$ 91	\$ 32,175
Accrued and other liabilities	17,059	241	18,550	8,419	31,644	75,913
Due to other units of government	49,064	-	-	-	430	49,494
Deferred revenue	141,167	-	-	-	33,095	174,262
<b>Total liabilities</b>	<b>207,290</b>	<b>30,194</b>	<b>20,681</b>	<b>8,419</b>	<b>65,260</b>	<b>331,844</b>
<b>Fund balances</b>						
Unreserved						
Designated for:						
Building code enforcement	55,982	-	-	-	-	55,982
Unreserved, reported in:						
General fund	1,838,849	-	-	-	-	1,838,849
Special revenue funds	-	729,907	435,071	346,430	1,768,389	3,279,797
Capital project funds	-	-	-	-	900	900
<b>Total fund balances</b>	<b>1,894,831</b>	<b>729,907</b>	<b>435,071</b>	<b>346,430</b>	<b>1,769,289</b>	<b>5,175,528</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,102,121</b>	<b>\$ 760,101</b>	<b>\$ 455,752</b>	<b>\$ 354,849</b>	<b>\$ 1,834,549</b>	<b>\$ 5,507,372</b>

See Accompanying Notes to Financial Statements



**Thomas Township**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**March 31, 2008**

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<b>Total fund balances for governmental funds</b>	<b>\$ 5,175,528</b>
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,378,335
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	174,262
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	<u>(100,693)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 7,627,432</u></b>

**Thomas Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended March 31, 2008**

	Special Revenue Funds				Nonmajor	Total
	General	Refuse Collection	Police Fund	Fire Fund	Governmental Funds	Governmental Funds
<b>Revenues</b>						
Taxes	\$ 644,443	\$ -	\$ 517,486	\$ 291,335	\$ 335,703	\$ 1,788,967
Licenses and permits	207,582	-	9,151	-	-	216,733
State revenue sharing	844,929	-	-	-	-	844,929
Other state grants	-	-	4,309	-	10,267	14,576
Charges for services	253,476	524,072	4,438	4,711	103,121	889,818
Fines and forfeitures	33,872	-	-	-	57,464	91,336
Interest income	72,584	19,341	7,038	6,420	63,600	168,983
Rental income	6,500	-	-	-	4,840	11,340
Other revenue	226,431	2,981	4,298	3,406	34,910	272,026
Total revenues	<u>2,289,817</u>	<u>546,394</u>	<u>546,720</u>	<u>305,872</u>	<u>609,905</u>	<u>4,298,708</u>
<b>Expenditures</b>						
Current						
General government	719,254	-	-	-	-	719,254
Public safety	192,295	-	737,009	405,263	-	1,334,567
Public works	274,038	497,684	-	-	-	771,722
Recreation and culture	-	-	-	-	656,107	656,107
Capital outlay	102,490	-	26,527	18,511	434,148	581,676
Debt service						
Principal retirement	118,875	-	-	-	-	118,875
Interest and fiscal charges	7,951	-	-	-	-	7,951
Total expenditures	<u>1,414,903</u>	<u>497,684</u>	<u>763,536</u>	<u>423,774</u>	<u>1,090,255</u>	<u>4,190,152</u>
Excess (deficiency) of revenues over expenditures	<u>874,914</u>	<u>48,710</u>	<u>(216,816)</u>	<u>(117,902)</u>	<u>(480,350)</u>	<u>108,556</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	212,593	163,825	243,966	620,384
Transfers out	(620,384)	-	-	-	-	(620,384)
Local capital contributions	-	-	-	-	499,647	499,647
Sale of fixed assets	130	-	-	-	20,000	20,130
Total other financing sources and uses	<u>(620,254)</u>	<u>-</u>	<u>212,593</u>	<u>163,825</u>	<u>763,613</u>	<u>519,777</u>
Net change in fund balance	254,660	48,710	(4,223)	45,923	283,263	628,333
Fund balance - beginning of year	<u>1,640,171</u>	<u>681,197</u>	<u>439,294</u>	<u>300,507</u>	<u>1,486,026</u>	<u>4,547,195</u>
<b>Fund balance - end of year</b>	<u>\$ 1,894,831</u>	<u>\$ 729,907</u>	<u>\$ 435,071</u>	<u>\$ 346,430</u>	<u>\$ 1,769,289</u>	<u>\$ 5,175,528</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2008**

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**Net change in fund balances - Total governmental funds** **\$ 628,333**

Total change in net assets reported for governmental activities in the statement of activities  
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those  
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(150,163)
Capital outlay	241,805

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue  
in the funds.

Special assessments	(14,083)
Property taxes	9,563

Expenses are recorded when incurred in the statement of activities

Compensated absences	(3,919)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in  
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not  
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds  
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>118,875</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 830,411</u></b>
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**Thomas Township**  
**Proprietary Funds**  
**Statement of Net Assets**  
**March 31, 2008**

	Enterprise Funds		
	Sewer	Water	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 3,871,898	\$ 4,590,320	\$ 8,462,218
Receivables			
Customers	220,162	280,992	501,154
Special assessments, current	6,486	9,437	15,923
Inventories	-	57,514	57,514
Total current assets	<u>4,098,546</u>	<u>4,938,263</u>	<u>9,036,809</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	72,004	86,975	158,979
Special assessments receivable, deferred	126,980	-	126,980
Capital assets not being depreciated	1,757,472	270,288	2,027,760
Capital assets, net of accumulated depreciation	<u>7,647,989</u>	<u>10,036,581</u>	<u>17,684,570</u>
Total noncurrent assets	<u>9,604,445</u>	<u>10,393,844</u>	<u>19,998,289</u>
Total assets	<u>13,702,991</u>	<u>15,332,107</u>	<u>29,035,098</u>
<b>Liabilities</b>			
Current liabilities			
Accrued and other liabilities	16,968	16,600	33,568
Due to other units of government	<u>16,381</u>	<u>8,000</u>	<u>24,381</u>
Total current liabilities	<u>33,349</u>	<u>24,600</u>	<u>57,949</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	9,405,461	10,306,869	19,712,330
Unrestricted	<u>4,264,181</u>	<u>5,000,638</u>	<u>9,264,819</u>
<b>Total net assets</b>	<u>\$ 13,669,642</u>	<u>\$ 15,307,507</u>	<u>\$ 28,977,149</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Year Ended March 31, 2008**

	Enterprise Funds		
	Sewer	Water	Total
<b>Operating revenue</b>			
Customer fees	\$ 1,293,679	\$ 2,045,382	\$ 3,339,061
Connection fees	-	27,942	27,942
Rental income	1,207	1,207	2,414
Other revenue	7,041	22,845	29,886
Total operating revenue	1,301,927	2,097,376	3,399,303
<b>Operating expenses</b>			
Personnel services	184,600	211,527	396,127
Supplies	21,742	3,094	24,836
Contractual services	355,522	1,350,922	1,706,444
Utilities	37,029	7,921	44,950
Repairs and maintenance	63,227	81,442	144,669
Other expenses	143,509	137,631	281,140
Depreciation	176,986	201,482	378,468
Total operating expenses	982,615	1,994,019	2,976,634
Operating income	319,312	103,357	422,669
<b>Nonoperating revenue</b>			
Federal grant	1,134,177	177,768	1,311,945
Interest income	223,695	245,281	468,976
Total nonoperating revenues	1,357,872	423,049	1,780,921
Income before contributions	1,677,184	526,406	2,203,590
Local capital contributions	143,129	-	143,129
Change in net assets	1,820,313	526,406	2,346,719
Net assets - beginning of year	11,849,329	14,781,101	26,630,430
<b>Net assets - end of year</b>	<b>\$ 13,669,642</b>	<b>\$ 15,307,507</b>	<b>\$ 28,977,149</b>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2008**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,273,294	\$ 2,076,282	\$ 3,349,576
Receipts from other funds	19,354	-	19,354
Payments to other funds	-	(1,672,857)	(1,672,857)
Payments to suppliers	(606,918)	(211,527)	(818,445)
Payments to employees	(184,600)	-	(184,600)
Net cash provided by operating activities	<u>501,130</u>	<u>191,898</u>	<u>693,028</u>
<b>Cash flows from noncapital financing activities</b>			
Federal grant	<u>1,134,177</u>	<u>177,768</u>	<u>1,311,945</u>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from special assessments	11,669	11,372	23,041
Capital contributions	143,129	-	143,129
Purchases/construction of capital assets	(1,794,007)	(495,810)	(2,289,817)
Net cash used by capital and related financing activities	<u>(1,639,209)</u>	<u>(484,438)</u>	<u>(2,123,647)</u>
<b>Cash flows from investing activities</b>			
Interest received	<u>223,695</u>	<u>245,281</u>	<u>468,976</u>
Net change in cash and cash equivalents	219,793	130,509	350,302
Cash and cash equivalents - beginning of year	<u>3,724,109</u>	<u>4,546,786</u>	<u>8,270,895</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 3,943,902</u>	<u>\$ 4,677,295</u>	<u>\$ 8,621,197</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2008**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 319,312	\$ 103,357	\$ 422,669
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	176,986	201,482	378,468
Changes in assets and liabilities			
Receivables	(28,633)	(21,094)	(49,727)
Due from other funds	19,354	-	19,354
Inventories	-	(2,679)	(2,679)
Accounts payable	(2,388)	(88,999)	(91,387)
Accrued and other liabilities	118	(169)	(51)
Due to other units of government	16,381	-	16,381
<b>Net cash provided by operating activities</b>	<u>\$ 501,130</u>	<u>\$ 191,898</u>	<u>\$ 693,028</u>

See Accompanying Notes to Financial Statements

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

Thomas Township is governed by an elected seven-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:



**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for revenues and expenditures associated with police protection.

The Fire Fund accounts for revenues and expenditures associated with fire protection.

The Refuse Collection Fund accounts for the revenue and expenditures with the government's refuse collection operation.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The non-major capital project fund is used to account for the revenue and expenditures related to significant capital projects.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$ 487,232,276 on which ad valorem taxes consisted of 3.3782 mills for operating purposes. This resulted in \$1,502,000 for operating expenses,

exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated absences – It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative data**

Comparative data is not included in the government's financial statements.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. Department heads can make line item adjustments within their activity centers except that any changes to wage accounts, capital outlay, and overall department totals require approval of the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Excess of expenditures over budget**

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<b>General fund</b>			
Capital outlay	\$ 100,590	\$ 102,490	\$ 1,900
<b>Police fund</b>	759,201	763,536	4,335

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note 3 - Deposits and Investments**

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 5,137,370
Business-type activities	<u>8,621,197</u>
Total	<u>\$ 13,758,567</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 13,758,042
Petty cash and cash on hand	<u>525</u>
	<u>\$ 13,758,567</u>

*Interest rate risk* – In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 12 months.

*Credit risk* – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States;

United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 9,648,699 was exposed to custodial credit risk because it was uninsured and uncollateralized. In the current year, the Township transferred funds to another financial institution to reduce the exposure to custodial credit risk.

**Note 4 - Receivables and Deferred Revenue**

The only receivables not expected to be collected within one year are as follows:

	Due After One Year
<b>Primary government</b>	
Special assessments - sewer fund	\$ 126,980
Special assessments - road revolving fund	<u>20,326</u>
	<u>\$ 147,306</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
<b>Primary government</b>	
Special assessments	\$ 33,095
Property taxes	<u>141,167</u>
	<u><u>\$ 174,262</u></u>

**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 135,368	\$ -	\$ -	\$ 135,368
Capital assets being depreciated				
Buildings, additions and improvements	2,731,371	-	-	2,731,371
Machinery and equipment	172,374	-	-	172,374
Vehicles	994,345	241,805	95,000	1,141,150
Total capital assets being depreciated	<u>3,898,090</u>	<u>241,805</u>	<u>95,000</u>	<u>4,044,895</u>
Less accumulated depreciation for				
Buildings, additions and improvements	702,251	78,078	-	780,329
Machinery and equipment	128,693	14,860	-	143,553
Vehicles	915,821	57,225	95,000	878,046
Total accumulated depreciation	<u>1,746,765</u>	<u>150,163</u>	<u>95,000</u>	<u>1,801,928</u>
Net capital assets being depreciated	<u>2,151,325</u>	<u>91,642</u>	<u>-</u>	<u>2,242,967</u>
Governmental activities capital assets, net	<u>\$ 2,286,693</u>	<u>\$ 91,642</u>	<u>\$ -</u>	<u>\$ 2,378,335</u>

Capital assets activity of the business type activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 141,559	\$ 2,138,464	\$ 252,263	\$ 2,027,760
Capital assets being depreciated				
Land improvements	185,970	-	-	185,970
Buildings, additions and improvements	129,569	-	-	129,569
Machinery and equipment	333,416	42,370	-	375,786
Vehicles	196,692	30,700	-	227,392
Water system	12,368,174	330,546	-	12,698,720
Sewer system	10,949,753	-	-	10,949,753
Total capital assets being depreciated	<u>24,163,574</u>	<u>403,616</u>	<u>-</u>	<u>24,567,190</u>
Less accumulated depreciation for				
Land improvements	11,254	295	-	11,549
Buildings, additions and improvements	75,517	11,354	-	86,871
Machinery and equipment	294,138	23,489	-	317,627
Vehicles	162,854	13,045	-	175,899
Water system	2,619,618	174,381	-	2,793,999
Sewer system	3,340,771	155,904	-	3,496,675
Total accumulated depreciation	<u>6,504,152</u>	<u>378,468</u>	<u>-</u>	<u>6,882,620</u>
Net capital assets being depreciated	<u>17,659,422</u>	<u>25,148</u>	<u>-</u>	<u>17,684,570</u>
Business-type capital assets, net	<u>\$ 17,800,981</u>	<u>\$ 2,163,612</u>	<u>\$ 252,263</u>	<u>\$ 19,712,330</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 37,541
Public safety	70,576
Public works	<u>42,046</u>
Total governmental activities	<u>150,163</u>
<b>Business-type activities</b>	
Sewer	176,986
Water	<u>201,482</u>
Total business-type activities	<u>378,468</u>
Total primary government	<u><u>\$ 528,631</u></u>

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 6 - Interfund Transfers**

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Road Revolving	\$ 40,000
General	Fire	163,825
General	Police	212,593
General	Park	<u>203,966</u>
		<u>\$ 620,384</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 7 - Long-Term Debt**

The government issues bonds to provide for the acquisition and construction of major capital projects. Special assessment obligations are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Special assessment obligations									
Companion drain assessment	\$ 1,188,750	3/08	4.38%	\$ 118,875	\$ 118,875	\$ -	\$ 118,875	\$ -	\$ -
Compensated absences					96,774	3,919	-	100,693	-
Total governmental activities					<u>\$ 215,649</u>	<u>\$ 3,919</u>	<u>\$ 118,875</u>	<u>\$ 100,693</u>	<u>\$ -</u>

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**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 8 - Risk Management**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 9 - Pension Plan**

The Township of Thomas Group Defined Contribution Pension Plan is a single employer defined contribution plan, established by the Township Board, with assets administered by John Hancock.

A defined contribution pension provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of the contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

Contributions made by an employee vest immediately and contributions made by the Township vest after 20 months of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions, plus interest earned, if vesting requirements are satisfied. The Township is required to contribute 11% of the employee's total W-2 earnings for each calendar year.

During the year the Township's required and actual pension contribution was \$ 134,650 which is approximately 8% of its current

year payroll.

Employees may contribute up to 25% of wages to this pension plan. Employee voluntary contributions during the fiscal year ended March 31, 2008 were \$ 16,287.

Plan provisions and contribution requirements are established and may be amended by the Township board.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

**Note 10 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Note 11 - Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.



**Thomas Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of *existing* pollution. It does not include *prevention* or *control* activities nor future remediation required upon retirement of an asset. In general, a liability will be recorded based on the *current value* of expected costs as estimated using the *expected cash flows method*. This statement is effective for financial statements with periods ending after December 15, 2007. However, measurement is required as of the beginning of the period.

**Thomas Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 478,630	\$ 478,630	\$ 483,505	\$ 4,875
Penalties and interest	1,000	1,000	-	(1,000)
Administration fee	160,053	160,053	160,938	885
Licenses and permits	95,100	95,100	207,582	112,482
State revenue sharing	838,060	838,060	844,929	6,869
Charges for services	241,306	241,306	253,476	12,170
Fines and forfeitures	30,056	30,056	33,872	3,816
Interest income	50,000	50,000	72,584	22,584
Rental income	6,500	6,500	6,500	-
Other revenue	195,776	195,776	226,431	30,655
Sale of fixed assets	-	-	130	130
Total revenues	<u>2,096,481</u>	<u>2,096,481</u>	<u>2,289,947</u>	<u>193,466</u>
<b>Expenditures</b>				
General government				
Township board	55,141	55,141	53,884	(1,257)
Manager	127,003	129,678	128,356	(1,322)
Clerk	91,779	91,104	87,762	(3,342)
Treasurer	191,469	189,709	185,658	(4,051)
Assessor	100,680	101,230	97,164	(4,066)
Elections	8,436	17,541	16,624	(917)
Buildings and grounds	99,630	136,040	133,194	(2,846)
Cemetery	15,790	17,000	16,612	(388)
Total general government	<u>689,928</u>	<u>737,443</u>	<u>719,254</u>	<u>(18,189)</u>

**Thomas Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Building inspection department	\$ 176,145	\$ 219,770	\$ 192,295	\$ (27,475)
Public works				
Department of public works	149,512	150,887	152,374	1,487
Sidewalks	18,989	17,879	13,818	(4,061)
Drains	1,054	2,164	2,209	45
Highways, streets and bridges	46,375	44,975	44,294	(681)
Street lighting	60,000	61,400	61,343	(57)
Total public works	275,930	277,305	274,038	(3,267)
Capital outlay	90,000	100,590	102,490	1,900
Debt service				
Principal retirement	118,875	118,875	118,875	-
Interest and fiscal charges	8,000	8,000	7,951	(49)
Total debt service	126,875	126,875	126,826	(49)
Transfers out	728,399	625,294	620,384	(4,910)
Total expenditures	2,087,277	2,087,277	2,035,287	(51,990)
Excess of revenues over expenditures	9,204	9,204	254,660	245,456
Fund balance - beginning of year	1,640,171	1,640,171	1,640,171	-
<b>Fund balance - end of year</b>	<b>\$ 1,649,375</b>	<b>\$ 1,649,375</b>	<b>\$ 1,894,831</b>	<b>\$ 245,456</b>

**Thomas Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Refuse Collection Fund**  
**For the Year Ended March 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 519,000	\$ 519,000	\$ 524,072	\$ 5,072
Interest income	25,000	25,000	19,341	(5,659)
Other revenue	5,000	5,000	2,981	(2,019)
Total revenues	<u>549,000</u>	<u>549,000</u>	<u>546,394</u>	<u>(2,606)</u>
<b>Expenditures</b>				
Current				
Public works	<u>530,587</u>	<u>530,587</u>	<u>497,684</u>	<u>(32,903)</u>
Excess of revenues over expenditures	18,413	18,413	48,710	30,297
Fund balance - beginning of year	<u>681,197</u>	<u>681,197</u>	<u>681,197</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 699,610</u>	<u>\$ 699,610</u>	<u>\$ 729,907</u>	<u>\$ 30,297</u>

**Thomas Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Police Fund**  
**For the Year Ended March 31, 2008**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 517,279	\$ 517,279	\$ 517,486	\$ 207
Licenses and permits	8,600	8,600	9,151	551
Other state grants	4,750	4,750	4,309	(441)
Charges for services	3,000	3,000	4,438	1,438
Interest income	7,000	7,000	7,038	38
Other revenue	1,000	1,000	4,298	3,298
Transfers in	<u>222,808</u>	<u>222,808</u>	<u>212,593</u>	<u>(10,215)</u>
Total revenues	<u>764,437</u>	<u>764,437</u>	<u>759,313</u>	<u>(5,124)</u>
<b>Expenditures</b>				
Current				
Public safety	729,501	732,201	737,009	4,808
Capital outlay	<u>29,700</u>	<u>27,000</u>	<u>26,527</u>	<u>(473)</u>
Total expenditures	<u>759,201</u>	<u>759,201</u>	<u>763,536</u>	<u>4,335</u>
Excess (deficiency) of revenues over expenditures	5,236	5,236	(4,223)	(9,459)
Fund balance - beginning of year	<u>439,294</u>	<u>439,294</u>	<u>439,294</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 444,530</u>	<u>\$ 444,530</u>	<u>\$ 435,071</u>	<u>\$ (9,459)</u>

**Thomas Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**For the Year Ended March 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 289,781	\$ 289,781	\$ 291,335	\$ 1,554
Charges for services	3,310	3,310	4,711	1,401
Interest income	5,000	5,000	6,420	1,420
Other revenue	-	-	3,406	3,406
Transfers in	168,249	168,249	163,825	(4,424)
Total revenues	<u>466,340</u>	<u>466,340</u>	<u>469,697</u>	<u>3,357</u>
<b>Expenditures</b>				
Current				
Public safety	435,731	434,220	405,263	(28,957)
Capital outlay	<u>17,000</u>	<u>18,511</u>	<u>18,511</u>	<u>-</u>
Total expenditures	<u>452,731</u>	<u>452,731</u>	<u>423,774</u>	<u>(28,957)</u>
Excess of revenues over expenditures	13,609	13,609	45,923	32,314
Fund balance - beginning of year	<u>300,507</u>	<u>300,507</u>	<u>300,507</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 314,116</u>	<u>\$ 314,116</u>	<u>\$ 346,430</u>	<u>\$ 32,314</u>

**Thomas Township**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**March 31, 2008**

	Special Revenue Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
	Fire Equipment	Park and Recreation	Library	Cemetery	Drug Enforcement	Road Revolving	Construction	
<b>Assets</b>								
Cash and cash equivalents	\$ 524,940	\$ 12,786	\$ 627,995	\$ 15,428	\$ 900	\$ 174,773	\$ 444,411	\$ 1,801,233
Receivables								
Taxes	79	-	-	-	-	-	-	79
Customers	-	-	142	-	-	-	-	142
Special assessments	-	-	-	-	-	33,095	-	33,095
<b>Total assets</b>	<u>\$ 525,019</u>	<u>\$ 12,786</u>	<u>\$ 628,137</u>	<u>\$ 15,428</u>	<u>\$ 900</u>	<u>\$ 207,868</u>	<u>\$ 444,411</u>	<u>\$ 1,834,549</u>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91	\$ 91
Accrued and other liabilities	-	3,613	5,346	-	-	-	22,685	31,644
Due to other units of government	-	-	-	-	-	-	430	430
Deferred revenue	-	-	-	-	-	33,095	-	33,095
<b>Total liabilities</b>	<u>-</u>	<u>3,613</u>	<u>5,346</u>	<u>-</u>	<u>-</u>	<u>33,095</u>	<u>23,206</u>	<u>65,260</u>
<b>Fund balances</b>								
Unreserved								
Designated for:								
Cemetery maintenance	-	-	-	15,428	-	-	-	15,428
Undesignated	525,019	9,173	622,791	-	900	174,773	421,205	1,753,861
<b>Total fund balances</b>	<u>525,019</u>	<u>9,173</u>	<u>622,791</u>	<u>15,428</u>	<u>900</u>	<u>174,773</u>	<u>421,205</u>	<u>1,769,289</u>
<b>Total liabilities and fund balances</b>	<u>\$ 525,019</u>	<u>\$ 12,786</u>	<u>\$ 628,137</u>	<u>\$ 15,428</u>	<u>\$ 900</u>	<u>\$ 207,868</u>	<u>\$ 444,411</u>	<u>\$ 1,834,549</u>

**Thomas Township**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2008**

	Special Revenue Funds						Capital Project Fund	Total Nonmajor Governmental Funds
	Fire Equipment	Park and Recreation	Library	Cemetery	Drug Enforcement	Road Revolving	Construction	
<b>Revenues</b>								
Taxes	\$ 115,090	\$ -	\$ 207,177	\$ -	\$ -	\$ 13,436	\$ -	\$ 335,703
Other state grants	-	-	10,267	-	-	-	-	10,267
Charges for services	-	103,121	-	-	-	-	-	103,121
Fines and forfeitures	-	-	57,464	-	-	-	-	57,464
Interest income	15,925	4,077	33,399	-	-	6,508	3,691	63,600
Rental income	-	4,840	-	-	-	-	-	4,840
Other revenue	-	30,836	4,074	-	-	-	-	34,910
Sale of fixed assets	20,000	-	-	-	-	-	-	20,000
Total revenues	151,015	142,874	312,381	-	-	19,944	3,691	629,905
<b>Expenditures</b>								
Current								
Recreation and culture	-	350,473	305,634	-	-	-	-	656,107
Capital outlay	232,590	39,793	18,637	-	-	-	143,128	434,148
Total expenditures	232,590	390,266	324,271	-	-	-	143,128	1,090,255
Excess (deficiency) of revenues over expenditures	(81,575)	(247,392)	(11,890)	-	-	19,944	(139,437)	(460,350)
<b>Other financing sources</b>								
Transfers in	-	203,966	-	-	-	40,000	-	243,966
Local capital contributions	-	-	-	-	-	-	499,647	499,647
Total other financing sources	-	203,966	-	-	-	40,000	499,647	743,613
Net change in fund balance	(81,575)	(43,426)	(11,890)	-	-	59,944	360,210	283,263
Fund balance - beginning of year	606,594	52,599	634,681	15,428	900	114,829	60,995	1,486,026
<b>Fund balance - end of year</b>	<b>\$ 525,019</b>	<b>\$ 9,173</b>	<b>\$ 622,791</b>	<b>\$ 15,428</b>	<b>\$ 900</b>	<b>\$ 174,773</b>	<b>\$ 421,205</b>	<b>\$ 1,769,289</b>



**Thomas Township**  
**Saginaw County, Michigan**  
**Single Audit Report**  
**March 31, 2008**

# CONTENTS

	<u>Page</u>
Single Audit Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings	9

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Members of the Board  
Thomas Township

We have audited the financial statements of Thomas Township as of and for the year ended March 31, 2008, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Thomas Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Thomas Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Thomas Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thomas Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters involving internal control over financial reporting, which we have reported to management in a separate letter dated June 20, 2008.

This report is intended solely for the information and use of the Board, management, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
June 20, 2008

## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Members of the Board  
Thomas Township

### **Compliance**

We have audited the compliance of Thomas Township with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. Thomas Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Thomas Township's management. Our responsibility is to express an opinion on Thomas Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Thomas Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Thomas Township's compliance with those requirements.

In our opinion, Thomas Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements.

### **Internal Control Over Compliance**

The management of Thomas Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Thomas Township's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Thomas Township's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditure of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thomas Township as of and for the year ended March 31, 2008, and have issued our report thereon dated June 20, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Thomas Township's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Saginaw Michigan  
June 20, 2008

**Thomas Township**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2008**

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<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development			
Passed through the Michigan Economic Development Corporation Community Development Block Grant	14.228	MSC 205025-EDIG	<u>\$ 1,311,945</u>

**Thomas Township**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**March 31, 2008**

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**Note 1- Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Thomas Township and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**Thomas Township**  
**Schedule of Findings and Questioned Costs**  
**March 31, 2008**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes      X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_yes      X   no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X   no

**Thomas Township**  
**Schedule of Findings and Questioned Costs**  
**March 31, 2008**  
**(continued)**

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**SECTION II – Government Auditing Standards Findings**

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended March 31, 2008.

**SECTION III – Federal Award Findings**

There were no findings related to the federal awards programs.

**Thomas Township**  
**Summary Schedule of Prior Audit Findings**  
**March 31, 2008**

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**Section IV – Prior Audit Findings**

The Township was not subject to the single audit requirements in the prior year.



3023 Davenport  
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Phone (989) 793-9830 / (800) 968-0010  
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June 20, 2008

Management and the Board of Trustees  
Thomas Township

We have completed our audit of the financial statements of Thomas Township as of and for the year ended March 31, 2008 and have issued our report dated June 20, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I Communication of Internal Control Matters Identified During the Audit
- II Auditor's Communication of Significant Matters with Those Charged with Governance
- III Management Comments

We discussed these matters with various personnel in the organization during the audit and are currently scheduled to meet with the Board on July 7, 2008. We would also be pleased to meet with again you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Trustees, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*  
Saginaw, Michigan

## Appendix I

### Communication of Internal Control Matters Identified During an Audit

In planning and performing our audit of the financial statements of Thomas Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Thomas Township internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We are pleased to report that we did not have any deficiencies to report related to internal control.

Appendix II  
Communication to Those Charged with Governance

**Responsibilities under generally accepted auditing standards**

As stated in our engagement letter dated, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit as outlined in our discussion with you related to planning matters on February 28, 2008.

**Significant Audit Findings**

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear.

**Difficulties Encountered During the Audit - None**

**Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments as applicable. Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

### **Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditor's report. We had no disagreements with management during the audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### **Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

### **Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

### Appendix III Management Comments

In planning and performing our audit of the financial statements of Thomas Township as of and for the year ended March 31, 2008, we considered Thomas Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date June 20, 2008, on the financial statements of Thomas Township. Our comments and recommendations regarding those matters are:

#### **GAS CARD USAGE AND SUPPORT**

We understand that the Township uses these cards to assist in the ease of purchasing and operations of the Township. The cards however, expose the Township to risks of misuse and a lack of documentation. As part of our audit, we reviewed certain statements and purchase receipts to understand the controls over these purchases. During our review of those statements we noted that there is no formal policy related to the use of the cards, and there were several receipts missing and no other supporting documentation attached.

We recommend the Township adopt a formal policy related to gas card usage and develop procedures to make sure that all supporting documentation is properly returned and maintained.

#### **AUDIT ADJUSTING JOURNAL ENTRIES**

In the current year we made several audit adjustments. Many of these adjustments were to handle the accounting for the Township's significant water and sewer expansions and grant related projects, which are not normal entries. However, some of the entries were routine accrual entries that had to be posted or reversed from the prior year. Under the new audit standards auditors are required to communicate these adjustments to those charged with governance.

We suggest that management review the current year adjustments and make sure that prior to giving the auditors the final trial balances in future years that these adjustments are posted. We are willing to work with Township staff prior to year end to minimize the number of entries and make sure that the year end trial balance is complete.